

**TAYLOR-WEST WEBER WATER
IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2005**

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Trustees
Taylor-West Weber Water Improvement District
Ogden, Utah

We have audited the accompanying financial statements of the Taylor-West Weber Water Improvement District as of and for the year ended December 31, 2005, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Taylor-West Weber Water Improvement District at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

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In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 5 are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Davis, Chase & Associates

April 4, 2006

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING DECEMBER 31, 2005

INTRODUCTION

The following is a discussion and analysis of Taylor-West Weber Water Improvement District's financial performance and activities for the year ending December 31, 2005.

HIGHLIGHTS

Taylor-West Weber Water Improvement District completed construction of a two million gallon storage tank. It is located at approximately 4300 West 900 South in West Weber and is in operation. The tank was a necessity for fire flow and storage and it will help with pressure for the northern area of our District.

The District, along with developer contributions, has installed approximately 13,799 feet of new water line and 38 new fire hydrants. Most of this was for new growth. We have almost 1,600 connections and expect about 200 more in 2006.

We have completed and adopted a new capital facilities plan and development impact fee analysis to make sure the District will be able to accommodate the projected future growth. This plan addresses the areas of water rights, delivery, storage and distribution facilities needed by the District through buildout. It is anticipated that future connections will pay for the improvements that the District necessitates through the collection of impact fees.

We continue to do all the water testing as required by the E.P.A. and the State. We have passed without any problems.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the District's Basic Financial Statements. The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Government Accounting Standards Board. The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

The District's financial statements are comprised of three basic statements. The Statement of Net Assets shows the overall net assets of the District. Increases and decreases in net assets are one indicator of the District's overall financial condition. The Statement of Revenues, Expenses, and Changes in Fund Net Assets identify functions of the District that are intended to recover all or most of their costs primarily through user fees and charges (business-type activities). The Statement of Cash Flows reports cash flows in four categories or activities - operating, capital and related financing, non-capital financing and investing.

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The largest component of the District's net assets, 78.1%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 7.1% of total net assets and are subject to external restrictions on how they may be used. The remaining 14.8% of net assets is unrestricted and may be used at the District's discretion to meet its ongoing obligations to citizens and creditors.

	2005	2004
Assets		
Current and other assets	\$ 481,898	\$ 439,386
Restricted assets	220,845	33,811
Capital assets - net of depreciation	3,201,593	2,760,978
Total assets	3,904,336	3,234,175
Liabilities		
Current liabilities	33,489	61,690
Non-current liabilities	739,890	747,212
Total liabilities	773,379	808,902
Net Assets		
Invested in capital assets net of related debt	2,445,426	1,976,004
Restricted for construction	28,950	8,798
Restricted for impact fees	191,895	-
Unrestricted	464,686	440,474
Total net assets	\$ 3,130,957	\$ 2,425,276

Management's Discussion and Analysis

Changes in Net Assets

The Net Assets in the Enterprise Fund increased by \$705,681.

	2005	2004
Revenues		
Operating revenue	\$ 485,211	\$ 440,569
Operating expenses	(508,166)	(417,718)
Operating income (loss)	(22,955)	22,851
Non-operating revenues	305,971	91,018
Non-operating expenses	(37,380)	(15,183)
Net income before capital contributions	245,636	98,686
Capital contributions	460,045	193,870
Change in net assets	705,681	292,556
Net assets - beginning	2,425,276	2,132,720
Net assets - ending	<u>\$ 3,130,957</u>	<u>\$ 2,425,276</u>

Capital Assets

Taylor-West Weber Water Improvement District added \$574,540 in new capital assets during the fiscal year. The new water tank (\$6,372), additions to water lines (\$511,305) and equipment (\$56,863) were the major items.

Long-Term Debt

The District currently owes \$756,167 on a contract payable to State Board of Water Resources. The proceeds from the contract were used to finance the District's construction of a new water tank. Long-term debt was increased by \$12,126 in additional loan proceeds and decreased by \$15,920 in principal payments. \$16,277 of the debt will be paid in the current year with \$739,890 remaining in long-term debt.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Taylor-West Weber Water Improvement District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the District's finances should be addressed to Taylor-West Weber Water Improvement District, 4660 West 1150 South, Ogden, Utah 84401.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds Water
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 459,867
Accounts receivable	18,678
Prepaid expenses	3,353
Total current assets	<u>481,898</u>
Noncurrent assets:	
Restricted cash and cash equivalents	220,845
Fixed assets	4,752,668
Less: Accumulated depreciation	(1,551,075)
Total noncurrent assets	<u>3,422,438</u>
Total assets	<u>3,904,336</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	15,000
Other payables	2,212
Retainage payable	-
Contract payable	16,277
Total current liabilities	<u>33,489</u>
Noncurrent liabilities	
Contract payable	<u>739,890</u>
Total liabilities	<u>773,379</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,445,426
Restricted-construction	28,950
Restricted-impact fees	191,895
Unrestricted	<u>464,686</u>
Total net assets	<u>\$ 3,130,957</u>

The accompanying notes are an integral part of these statements.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds Water
<u>OPERATING REVENUE</u>	
Water sales	\$ 424,291
Miscellaneous revenue	26,380
Connection fees	34,540
Total operating revenue	<u>485,211</u>
<u>OPERATING EXPENSES</u>	
Depreciation	133,925
Source of water supply	84,150
Salaries - employees	52,615
Chemicals	42,550
Salaries-secretary/treasurer	30,639
Operating supplies	25,660
Utilities	15,865
Office expense	11,089
Repairs and maintenance	28,805
Engineering fees	7,920
Professional fees	20,009
Miscellaneous	15,859
Insurance and bonds	10,290
Rent	6,000
Payroll taxes	6,387
Directors fees	4,725
Truck expense	8,373
Telephone	3,305
Travel	-
Total operating expenses	<u>508,166</u>
Operating income (loss)	<u>(22,955)</u>
<u>NONOPERATING REVENUE (EXPENSES)</u>	
Impact fees	283,923
Interest income	22,048
Interest on bonds	(37,380)
Total nonoperating revenue (expenses)	<u>268,591</u>
Net income (loss) before contributions	245,636
Capital contributions	<u>460,045</u>
Change in net assets	705,681
Net assets - beginning	<u>2,425,276</u>
Net assets - ending	<u><u>\$ 3,130,957</u></u>

The accompanying notes are an integral part of these statements.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds
	<u>Water</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 484,518
Payments to suppliers	(323,373)
Payments to employees	(83,254)
Net cash provided (used) by operating activities	<u>77,891</u>
Cash Flows From Noncapital Financing Activities	
None	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>
Cash Flows From Capital and Related Financing Activities	
Contributed revenues	39,572
Proceeds from impact fees	283,923
Bond proceeds	12,125
Principal paid on capital debt	(15,920)
Interest paid on capital debt	(37,380)
Purchases of capital assets	(154,063)
Net cash provided (used) by capital and related financing activities	<u>128,257</u>
Cash Flows From Investing Activities	
Interest and dividends received	<u>22,048</u>
Net cash provided (used) by investing activities	<u>22,048</u>
Net increase (decrease) in cash and cash equivalents	228,196
Cash and cash equivalents - beginning	<u>452,516</u>
Cash and cash equivalents - ending	<u><u>\$ 680,712</u></u>

The accompanying notes are an integral part of these statements.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds <u>Water</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (22,955)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	133,925
(Increase) decrease in prepaid expense	(657)
(Increase) decrease in accounts receivable	(693)
Increase (decrease) in accounts payable	<u>(31,729)</u>
Net cash provided (used) by operating activities	<u>\$ 77,891</u>

Noncash Capital Financing Activities:

Capital assets of \$420,475 were acquired through
contributions from developers.

The accompanying notes are an integral part of these statements.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Taylor-West Weber Water Improvement District, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The District has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Taylor-West Weber Water Improvement District is a special district organized on July 20, 1965 by the Weber County Commission for the purpose of providing culinary water services to the members of the District. The District operates under a Board of Trustees form of government.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

B. Fund Financial Statements

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The District reports the following major proprietary fund:

Water Fund - The water fund is used to account for operations of the water utility system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances are combined to form a pool of cash which is managed by the District Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The District Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The District considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the District, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the statement of net assets because their use is limited.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Capital Assets

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-10 years
Improvements	10-50 years	Infrastructure	25-40 years

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the fund financial statements.

E. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

F. Compensated Absences

District policy does not provide for any vested or accumulated vacation leave.

G. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The District's deposits are carried at cost.

At December 31, 2005, the carrying amount of the District's deposits was \$216,290 and the bank balance was \$218,647. Of the bank balance, \$100,000 was covered by federal depository insurance.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurers Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	<u>Carrying Amount</u>	<u>Market Value</u>
Utah Public Treasurer's Investment Fund	<u>\$ 464,422</u>	<u>\$ 462,397</u>

C. Summary

	<u>Carrying Amount</u>
Deposits	\$ 216,290
Investment in Utah Public Treasurer's Investment Fund	<u>464,422</u>
Total deposits and investments	<u>\$ 680,712</u>
Equity in pooled cash and investments	\$ 459,867
Restricted cash - impact fees	191,895
Restricted cash - construction	<u>28,950</u>
Total deposits and investments	<u>\$ 680,712</u>

Deposit and Investment Risk Disclosure. Deposits and investments for Taylor-West Weber Water Improvement District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2005, were \$218,647, of which \$100,000 was insured under federal depository insurance.

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended December 31, 2005, the local government had investments of \$464,422 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Act.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005, was as follows:

	Balance December 31, 2004	Additions	(Deletions)	Balance December 31, 2005
BUSINESS-TYPE ACTIVITIES				
Nondepreciated Assets				
Land	\$ 57,774	\$ -	\$ -	\$ 57,774
Total nondepreciated assets	<u>57,774</u>	<u>-</u>	<u>-</u>	<u>57,774</u>
Depreciated Assets				
Buildings	49,626	12,709	-	62,335
Water line	2,390,069	511,305	-	2,901,374
Water tank	1,301,485	6,372	-	1,307,857
Wells and pumps	175,961	-	-	175,961
Operating equipment	215,302	44,154	(21,252)	238,204
Furniture and fixtures	9,163	-	-	9,163
Total depreciated assets	<u>4,141,606</u>	<u>574,540</u>	<u>(21,252)</u>	<u>4,694,894</u>
Less accumulated depreciation				
Buildings	(45,742)	(1,661)	-	(47,403)
Water line	(902,827)	(66,039)	-	(968,866)
Water tank	(246,009)	(35,081)	-	(281,090)
Wells and pumps	(133,397)	(7,106)	-	(140,503)
Operating equipment	(103,527)	(23,093)	21,252	(105,368)
Furniture and fixtures	(6,900)	(945)	-	(7,845)
Total accumulated depreciation	<u>(1,438,402)</u>	<u>(133,925)</u>	<u>21,252</u>	<u>(1,551,075)</u>
Net assets depreciated	<u>2,703,204</u>	<u>440,615</u>	<u>-</u>	<u>3,143,819</u>
Business type activities - net	<u>\$ 2,760,978</u>	<u>\$ 440,615</u>	<u>\$ -</u>	<u>\$ 3,201,593</u>
Depreciation Expense				
December 31, 2005		<u>\$ 133,925</u>		

NOTE 4 - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2005, was as follows:

Description	Interest Rate	Outstanding 12/31/2004	Additions	Payments	Outstanding 12/31/2005	Current Portion
Contract payable - State Board of Water Resources	5.0%	<u>\$ 759,961</u>	<u>\$ 12,126</u>	<u>\$ 15,920</u>	<u>\$ 756,167</u>	<u>\$ 16,277</u>

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 4 - LONG-TERM DEBT (CONTINUED)Contract Payable - State Board of Water Resources

On October 6, 2003, Taylor-West Weber Water Improvement District entered into an agreement with the Board of Water Resources ("State"). The Agreement provides that the Board of Water Resources will provide 75% of the cost, but not more than \$825,000, for the construction of a 2.0 MG water storage tank, booster pump, pipeline, and replacement of 1,050 water meters. The Water District agrees to purchase the State Board of Water Resources' undivided interest in the project at a total purchase price defined to be the combined total of all funds paid by the "State" to the District for the construction of the project, but not to exceed \$825,000 plus interest at the annual rate of 5%. The purchase price shall be payable in not to exceed twenty (20) annual payments beginning September 1, 2004.

Amortization of long-term debt

The anticipated annual requirements to amortize long-term debt and related interest as of December 31, 2005, are as follows:

<u>Fiscal Year Ended Dec. 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 16,277	\$ 38,623	\$ 54,900
2007	18,690	37,810	56,500
2008	21,325	36,875	58,200
2009	24,092	35,808	59,900
2010	27,096	34,604	61,700
2011	30,351	33,249	63,600
2012	33,768	31,732	65,500
2013	37,457	30,043	67,500
2014	41,330	28,170	69,500
2015	45,496	26,104	71,600
2016	49,871	23,829	73,700
2017	54,564	21,336	75,900
2018	59,493	18,607	78,100
2019	64,767	15,633	80,400
2020	70,406	12,394	82,800
2021	76,326	8,874	85,200
2022	82,642	5,058	87,700
2023	18,512	925	19,437
	<u>\$ 772,463</u>	<u>\$ 439,674</u>	<u>\$ 1,212,137</u>

The funds to be provided by the "State" are only released as construction costs are incurred. The actual amount of contract funds released and the actual amount of the contract payable at December 31, 2005 was \$756,167. The balance of \$16,296 represents funds yet to be released from the \$825,000 contract amount.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005

NOTE 5 - RISK MANAGEMENT

Taylor-West Weber Water Improvement District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of December 31, 2005, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 6 - LEGAL COMPLIANCE BUDGETS

The budget for the fiscal year ending December 31, 2005, was approved and adopted by resolution or ordinance dated December 20, 2004. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 20, 2004. The budget was amended during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

NOTE 7 - RESTRICTED NET ASSETS

Reserved for Construction - This represents contract proceeds received and restricted for water tank improvements.

Reserved for Impact Fees - This represents water impact fees collected and restricted for new capital improvements.

NOTE 8 - POST-EMPLOYMENT BENEFITS

The District does not provide any post employment benefits at the present time.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM

The District does not participate in or maintain any retirement plans for its employees.

NOTE 10 - INTEREST EXPENSE

The proprietary fund incurred \$37,380 in interest expense of which \$37,380 was charged to expense and \$-0- was capitalized.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT

AUDITOR'S REPORTS

DECEMBER 31, 2005

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Board of Trustees

Taylor-West Weber Water Improvement District

Ogden, Utah

We have audited the financial statements of the Taylor-West Weber Water Improvement District, for the year ended December 31, 2005, and have issued our report thereon dated April 4, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt

Cash Management

Purchasing Requirements

Impact fees

Budgetary Compliance

Other Compliance Requirements

Special District Compliance Items

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the Taylor-West Weber Water Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITOR'S REPORT ON
STATE LEGAL COMPLIANCE

Page 2

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Taylor-West Weber Water Improvement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

David, Chase & Associates

April 4, 2006

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-STATE LEGAL COMPLIANCE
DECEMBER 31, 2005

There were no findings and questioned costs for the year ended December 31, 2005.

TAYLOR-WEST WEBER WATER IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS-
STATE LEGAL COMPLIANCE

DECEMBER 31, 2005

There were no findings and questioned costs for the year ended December 31, 2004.

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Taylor-West Weber Water Improvement District
Ogden, Utah**

We have audited the financial statements of the Taylor-West Weber Water Improvement District, as of and for the year ended December 31, 2005, and have issued our report thereon dated April 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Taylor-West Weber Water Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Taylor-West Weber Water Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
PAGE 2

This report is intended solely for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Chase & Associates

April 4, 2006